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# 3 Ways of Doing Business



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Prepared by the COOPERATIVE EXTENSION SERVICE in cooperation with the TRI-STATE COOPERATIVE COMMITTEE representing Auburn University, Louisiana State University, Mississippi State University, Farm Credit Banks of New Orleans, and Councils of Farmer Cooperatives of Alabama, Louisiana, and Mississippi.



# WAYS OF DOING BUSINESS

Four Basic Types of Business Organizations in the American Free Enterprise System:

Individually  
1 owned business

2 Partnerships

3 Corporations

4 Cooperatives

Who decides policy?

How is voting done?

How is the business financed?

1

The individual owner

No voting necessary

Owner's funds and loans

2

The partners

By agreement among partners

Partners' funds and loans

3

The directors elected by the  
stockholders

By stockholders according to  
number of shares of stock  
held

Stockholders' funds and loans

4

The directors elected by the  
members

One vote per member and/or  
on basis of patronage

Members' funds and loans

Who manages  
the business operation?

Who owns the business?

Rate of return on investment.

1

The owner

Individual

No legal limitation

2

The partners by agreement

Partners are joint-owners

No legal limitation

3

Officers and staff employed  
by the board of directors

The stockholders

No legal limitation but  
subject to control by  
board of directors

4

General manager and staff  
employed by the board  
of directors

Member-patrons

Limited by law to nominal  
rate of return

## How are earnings distributed?

- 1 As the owner desires.
- 2 As agreed by partners.
- 3 Paid to stockholders as dividends or placed in reserve or surplus accounts.
- 4 Paid to stockholders as limited dividends on capital stock and/or allocated to patrons on a patronage basis. Part or all of allocated earnings may be paid in cash or retained in reserve accounts.

## What is the owners' liability?

- 1 Unlimited (all his property).
- 2 Unlimited (all property of partners).
- 3 Limited to assets of corporation. Stockholder cannot lose more than he has invested in the business.
- 4 Limited to assets of the cooperative. Member cannot lose more than his investment in the cooperative.